

# Eye on Southeast Europe



*As Croatia continues its economic development, particular industry sectors, such as telecommunications and technology, have strong growth prospects. The country's telecommunications network is quite advanced, in both penetration and equipment, including optical cables, digital equipment, and mobile telephones.*

## Telecommunications

The U.S. Commercial Service rates the telecommunications sector as a top trade prospect for Croatia in 2003. The focus of telecommunications providers is shifting from infrastructure to services, thus offering an opportunity for U.S. engineering and software firms. Croatia has already attracted significant U.S. investment. Information and communications technology, pharmaceuticals, radio-navigation equipment, and personal vehicles are the leading U.S. exports to Croatia.

Croatia has more than 2 million installed fixed telephone lines (37 subscriber lines per every 100 inhabitants). International and transit ATM switches are installed in four main centers. The switches are connected among themselves and with international networks via 7,000 kilometers of fiber-optic cables. About 80 percent of switching capacity and 90 percent of transmission capacity is digitized. ISDN and DSL services are being introduced to households.

Mobile communications continues to drive the highest growth in communications in Croatia. In 2002, some 1.5 billion minutes of voice communications were registered in mobile networks, a 38-percent increase over 2001. Domestic calls accounted for 95.4 percent of voice communications.

In 2001, Deutsche Telekom became the majority owner of Hrvatski Telekom (HT), the leading telecommunications service provider in Croatia. HT enjoys a monopoly on voice and data transfer in the fixed-line network. At the beginning of 2005, HT's exclusive right to build and operate fixed-line networks expires. The Croatian government recently invited groups to express interest in the concession for the second fixed telecommunications network, and the tender should be published in the autumn of 2003.

## Internet Service Providers

Internet development has been slowed by high interconnection costs for ISPs and opaque regulations. It is estimated that only 1.4 million citizens (32 percent of the population) have access to the Internet. E-commerce is on the rise; Internet transactions are surging. Banking is still the leading sector for Internet transactions, as several banks offer on-line services to private and legal entities. More than 320,000 Croats purchased goods via the Internet last year. Most of their purchases were made with tourist agencies, IT-equipment distributors, bookstores, and electronic equipment stores.

It is estimated that the number of personal computers in Croatia currently stands at more than 700,000. This figure will increase because of a new government program designed to introduce IT into both the primary and secondary school systems. HT is joining this project as a sponsor, offering 10 hours of free Internet access a day for each school, as well as discounts for Internet access from home for students. Hewlett-Packard is the market leader with an 18-percent share in the PC market and 53.4 percent in printer sales. In Croatia, microprocessors and PCs can be imported duty-free; however, all imports are subject to value-added tax of 22 percent.

## Other IT Sectors

One of the cable TV operators, U.S.-owned Digital City Media, developed an alternative Internet access option, via cable TV infrastructure. Cable modems can be purchased, rented, or leased through Digital City Media. Cable TV still seems to be a good prospect for U.S. telecommunications exports. There are now three citywide cable TV concessions. Providers have shifted from network reconstruction and rollout to acquiring new subscribers.

In early 2002, the Telecommunications Institute, an independent regulatory agency, formed a separate seven-member council to handle licensing and disputes between operators. As the institute and its council have their own funding, they are now completely separate from the Ministry of Maritime Affairs, Transportation, and Communications. Under recently proposed telecommunications legislation, these two entities would be transformed further into a single entity, the Telecommunications Agency.

Due to an increase in privatization and government efficiency, the telecommunications and IT sectors in Croatia are expanding, providing numerous investment opportunities for U.S. companies. For more information, visit [www.mac.doc.gov/ceebic/countryr/croatia.htm](http://www.mac.doc.gov/ceebic/countryr/croatia.htm).

